

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Market Test of Experimental Product –  
USPS Connect Local Mail

Docket No. MT2022-1

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued November 29, 2021)

To clarify the basis of information provided by the Postal Service in its notice of intent to conduct the USPS Connect Local Mail market test,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than December 6, 2021.

The questions are derived from a motion filed by the Public Representative in which she proposed questions to the Postal Service in order to “obtain additional clarifying data and information” regarding the proposed market test.<sup>2</sup> The proposed question 2 has been edited and the subparts renumbered in order to ask for additional clarifying information germane to the request. The remaining proposed questions are included with minor editorial changes.

1. The Postal Service states “from the viewpoint of mail user, USPS Connect Local Mail is significantly different from all products offered by the Postal Service within the last two years.” Notice at 3. It notes that no other expedited First-Class Mail

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<sup>1</sup> United States Postal Service Notice of Market Test of Experimental Product – USPS Connect Local Mail, November 10, 2021 (Notice).

<sup>2</sup> Motion of the Public Representative for Issuance of Information Request, November 24, 2021, at 1 (Motion).

product for local mailers is available and none offer free packaging or tracking.  
*Id.* at 3-4.

- a. Please explain which Postal Service product(s) are most similar to USPS Connect Local Mail.
  - b. Please explain the mail processing activities for USPS Connect Local Mail and how those mail processing activities differ from the similar Postal Service product(s) indicated in question 1.a.
  - c. Please explain the mailing requirements for USPS Connect Local Mail and how those mailing requirements differ from the similar Postal Service product(s) indicated in question 1.a.
  - d. If applicable, please explain any additional key features of USPS Connect Local Mail that differ from the key feature of the similar Postal Service product(s) indicated in question 1.a.
2. Section 3641(b)(2) requires that “[t]he introduction or continued offering of the [USPS Connect Local Mail experimental] product will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns....” See 39 U.S.C. § 3641(b)(2). The Postal Service states that USPS Connect Mail will not create any unfair or otherwise inappropriate competitive advantage for the Postal Service or any mail. Notice at 4. It further notes that the product is designed to increase small business access to the postal network. *Id.*
  - a. For the purposes of compliance with 39 U.S.C. § 3641(b)(2), please confirm that the relevant market for the USPS Connect Local Mail market test is the expedited letter mail service, with local induction and local delivery, offered nationwide.
  - b. If question 2.a. is not confirmed, please explain.
  - c. The Commission has previously found that notices of market tests should include “[e]xamples of businesses that offer similar products or services” and “[t]he range of prices these businesses charge for similar products

and services.”<sup>3</sup> Please identify businesses that offer similar products or services in the relevant market as USPS Connect Local Mail.

- d. For each business identified in response to question 2.c., please identify the price range that each business charges for the services similar to USPS Connect Local Mail.
  - e. For each business identified in response to question 2.c., please explain whether USPS Connect Local Mail will create an unfair advantage or inappropriate advantage for the Postal Service in relation to the business identified.
  - f. Please describe the impact of the market test on small business concerns. In this proceeding, “small business concern” means Courier and Express Delivery Services and Local Messengers and Local Delivery companies that meet the following criteria:
    - i. Are for-profit business entities that are independently owned and operated;
    - ii. Are not dominant in their field of operation;
    - iii. Have a place of business located within the United States;
    - iv. Operate primarily within the United States or make a significant contribution to the United States by paying taxes or using American products, materials, or labor; and
    - v. Have 1,500 or fewer employees (Courier and Express Delivery Services) or has annual receipts of \$30 million or less (Local Messengers and Local Delivery).<sup>4</sup>
3. The Postal Service states that USPS Connect Local Mail is properly categorized as market-dominant and falls within its monopoly over letter delivery. Notice at 4.

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<sup>3</sup> Docket No. MT2014-1, Order Authorizing Customized Delivery Market Test, October 23, 2014, at 13 (Order No. 2224).

<sup>4</sup> 39 C.F.R. § 3001.5(v); 13 C.F.R. § 121.201, Sectors 48-49, Subsector 492.

Please confirm that, pursuant to 39 U.S.C. § 3642(b)(1), USPS Connect Local is a product that the Postal Service “exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise price significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” See 39 U.S.C. § 3642(b)(1). If not confirmed, please explain.

4. Please consider the following hypothetical. Assume a First-Class Mail letter, a First-Class Mail flat, a USPS Connect Local Mail envelope, a Priority Mail envelope, and a Priority Mail Express envelope are induced into the mailstream at the same Destination Delivery Unit (DDU), at the same time, and before the Critical Entry Time set for USPS Connect Local Mail.<sup>5</sup> Also assume these mailpieces are all destined to the same local address within the same delivery unit from which they were sent. For each mailpiece, please indicate whether delivery would be made the same day, the next day, or later.
5. Please confirm that for flat-shaped pieces above 9 ounces, the price for First-Class Mail Flats exceeds that of USPS Connect Local Mail. If confirmed, please explain the rationale for setting the price of a product with premium features below that of a similar product without premium features. If not confirmed, please explain.

By the Vice Chairwoman.

Ashley E. Poling

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<sup>5</sup> See Notice at 2.